



**City of
Portland, Oregon**
Bureau of Development Services
FROM CONCEPT TO CONSTRUCTION

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March 17, 2022

TO: Douglas Imaralu, City Budget Office

**FROM: Rebecca Esau, Director
Bureau of Development Services**

Eshad Hajiyeu

SUBJECT: FY 2021-22 Spring Supplemental Budget Monitoring Process Cover Letter

Attached is the FY 2021-22 Spring Supplemental Budget Monitoring Report for the Bureau of Development Services.

The submission includes the following components:

- Decision Package Update spreadsheet
- Business Area Projection Report
- Current Year Budget Note Updates

There is no Budget Amendment Request Report or Capital Program Status Update due to BDS not making budget adjustments in the FY 2021-22 Spring Supplemental Budget Monitoring Process and no current capital projects.

If you have any questions about this BDS Budget Monitoring Report, please contact Kyle O'Brien, BDS Finance Manager, at 503-865-6430 or kyle.obrien@portlandoregon.gov.

Business Area Projection Report

Bureau of Development Services - Fund 203

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Contingency	\$29,657,159	\$0	\$51,534,439	174%
Debt Service	\$1,561,006	\$55,809	\$1,561,006	100%
External Materials and Services	\$6,648,872	\$2,315,573	\$3,479,576	52%
Fund Transfers - Expense	\$2,815,816	\$1,833,900	\$2,815,816	100%
Internal Materials and Services	\$16,672,813	\$9,561,560	\$14,929,449	90%
Personnel	\$53,849,145	\$31,122,134	\$51,361,483	95%
Sum:	\$111,204,811	\$44,888,975	\$125,681,769	113%

Major Object	2021-22 SPRING Requested Total	2021-22 February Actuals YTD	2021-22 SPRING Projection	% Projected Actuals to Requested Total
Beginning Fund Balance	\$61,005,190	\$0	\$61,005,190	100%
Charges for Services	\$13,437,191	\$12,172,323	\$17,003,174	127%
Fund Transfers - Revenue	\$2,219,910	\$1,813,273	\$2,219,910	100%
Interagency Revenue	\$1,987,492	\$36,571	\$1,987,492	100%
Licenses & Permits	\$29,598,301	\$29,608,449	\$40,782,229	138%
Miscellaneous	\$2,956,727	\$1,626,530	\$2,683,774	91%
Sum:	\$111,204,811	\$45,257,146	\$125,681,769	113%

Revenue Discussion

Both Licenses & Permits, and Service Charges & Fees revenue are projected to be higher than expected due to higher than anticipated demand for services, including building permit applications, issued building permits, and land use case reviews. Miscellaneous Sources revenue is projected lower than budget mostly due to lower than expected lien receipts, including interest.

Revenue Risks

Due to the cyclical nature of the construction industry, BDS revenues fluctuate significantly in response to changes in demand for services. BDS engages local economists through its Financial Advisory Committee when developing revenue projections for its Requested Budget and Five-Year Financial Plan, and this committee gave support for the revenue models and programmatic growth rates developed. However, due to the unpredictable nature of changes in the overall economy, construction activity, and both the timing and size of projects received by BDS, revenue could vary substantially from projections.

Expenditure Discussion

The difference between budgeted and projected External Materials & Services is primarily due to a freeze on all nonessential expenditures and decreased usage of contract employees. The difference between budgeted and projected Internal Materials & Services is primarily due to lower than projected BTS expenditures and generally lower than budgeted expenditures across most internal service interagency agreements.

Expenditure Risks

Currently BDS does not foresee major risks to its expenditure projections; however, the timing of personnel recruitments and the ability of BDS to find qualified candidates may affect the year-end personnel expenditures. The timing of vendor payments can affect external materials & services expenditures, as can currently unanticipated and unknown expenditure needs.

Other Notes

FY 2021-22 Budget Note Update

Bureau of Development Services

Date of Budget Note: July 1, 2021; in the FY 2021-22 Adopted Budget

Budget Note Title: Sustaining Development Services Capacity to Promote Economic Recovery

Budget Note Language: The pandemic is significantly impacting development services revenue, forcing a reduction in critical services that are foundational to stimulating Portland's recovery from crisis. City Council directs the Office of Management and Finance, Bureau of Revenue and Financial Services (BRFS) to earmark \$8.3 million in second tranche federal stimulus ARPA resources to prevent immediate layoffs, delay potential layoffs, and sustain current service levels within the Bureau of Development Services. Upon receipt of second tranche resources in the Spring of 2022, BRFS shall review the Bureau of Development Services' updated five-year financial forecast. If the forecast remains the same or worse than the five-year forecast presented during FY 2021-22 budget development, \$8.3 million in ARPA resources shall be allocated to backfill bureau revenue loss as eligible under Treasury guidance. If the Development Services forecast has improved from its current 2021 state and the bureau is not proposing layoffs during FY 2022-23 budget development, Council may choose to allocate up to \$8.3 million in ARPA resources in consideration of other priority needs for the federal resources. If the actual revenue collections are significantly lower than the forecast presented during FY 2021-22 budget development or the updated forecast is significantly worse, the bureau may proceed with layoffs at any time prior to the receipt of the \$8.3 million.

Summary Status: Complete

Budget Note Update: March 17th, 2022

BRFS reviewed BDS' updated five-year forecast in February 2022 and determined the outlook had improved, and therefore BDS is ineligible to receive these resources.

Date of Budget Note: July 1, 2021; in the FY 2021-22 Adopted Budget

Budget Note Title: BDS Equity Program Community Engagement Position

Budget Note Language: This budget includes one-time General Fund resources to support a community engagement specialist position within the Bureau of Development Services. This position will join the bureau's Equity and Policy development team, leading community engagement efforts with the goal of ensuring the bureau's programs and services meet the needs of Black people, Indigenous people, people of color and people with disabilities. General Fund resources are being provided on a onetime basis for this important work given that the bureau is undergoing significant financial strain as a result of the economic impacts of the COVID-19 crisis. To ensure sustainability of this work in future years, the bureau is directed to prioritize internal resources towards this effort as part of its core operations. Additional General Fund subsidies for the Bureau of Development Services may be considered in the future to solve for continued financial challenges; however, work that is deemed essential to providing equitable services should be prioritized within bureau base resources.

Summary Status: In progress

Budget Note Update: March 17th, 2022

BDS is currently in the process of recruiting and hiring for the community engagement position referenced in this budget note. General Fund support for this position is one-time only. In future years this position will be funded within bureau base resources.

BDS considers providing equitable services an essential part of its service delivery. To that end, BDS funds the work of its Equity & Policy Development Section and Empowered Communities Programs using bureau base resources and is also in the process of hiring for an equity focused data analyst position. BDS will continue to prioritize equity work in the future and invest in staff when necessary and financially feasible.